Dodge & Cox Stock Fund (DODGX)

December 31, 2002

Objective The Fund seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income.

Strategy The Fund invests primarily in a broadly diversified portfolio of common stocks. In selecting investments, the Fund invests in companies that, in Dodge & Cox's opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. The Fund focuses on the underlying financial condition and prospects of individual companies, including future earnings, cash flow and dividends. Companies are also selected with an emphasis on financial strength and sound economic condition.

Benefits

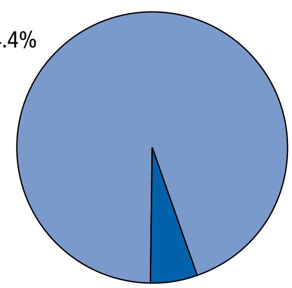
- A simple, low-cost way to own a broadly diversified portfolio of stocks
- Low expenses, No-Load Fund, No 12b-1 plan charges

General Information

Net Asset Value Per Share	$88.05
Total Net Assets (millions)	$14,036
2002 Expense Ratio	0.54%
2002 Portfolio Turnover	13%
30-Day SEC Yield[1]	1.77%
Fund Inception Date	1965

Investment Manager: Dodge & Cox, San Francisco. Managed by the Investment Policy Committee, whose ten members' average tenure at Dodge & Cox is 22 years.

Asset Allocation



Stock Characteristics

Stock Characteristics	Fund	S&P 500
Number of Stocks	83	500
Median Market Capitalization (billions)	$8	$7
Weighted-Average Market Cap. (billions)	$18	$77
Price-to-Earnings Ratio[2]	13x	16x
Price-to-Book Value	1.6x	2.7x
Foreign Stocks[3] (% of Fund)	11.8%	0.0%

Ten Largest Holdings

Ten Largest Holdings	% of Fund
Dow Chemical	2.8
Bank One	2.7
Schering-Plough	2.6
News Corp. Ltd., Pref. ADR	2.5
Golden West Financial	2.5
Hewlett-Packard	2.4
Comcast	2.4
FedEx	2.3
ConocoPhillips	2.2
Xerox	2.1

Sector Diversification

Sector Diversification	Fund	S&P 500
Consumer Discretionary	21.0%	13.1%
Financials	19.2	20.6
Materials	11.7	2.9
Information Technology	10.2	14.4
Energy	10.0	6.1
Health Care	8.3	15.1
Industrials	8.0	11.2
Telecommunication Services	2.7	4.2
Consumer Staples	1.8	9.5
Utilities	1.5	2.9

[1] SEC Yield is an annualization of the Fund's total net investment income per share for the 30-day period ended on the last day of the month.
[2] The Fund's price-to-earnings (P/E) ratio is calculated using Dodge & Cox's estimated forward earnings and excludes extraordinary items. The S&P 500's P/E ratio is calculated by Standard & Poor's and uses an aggregated estimate of forward earnings.
[3] All U.S. dollar-denominated.

See other side

Average Annual Total Return*

For periods ended December 31, 2002	1 Year	3 Years	5 Years	10 Years	20 Years
Dodge & Cox Stock Fund	–10.52%	4.39%	7.58%	14.15%	15.16%
S&P 500	–22.10	–14.54	–0.58	9.35	12.71

The Dodge & Cox Stock Fund had a total return of 8.1% for the fourth quarter of 2002, compared to a total return of 8.4% for the Standard & Poor's 500 Index (S&P 500). For the year ended December 31, 2002, the Fund had a total return of –10.5%, compared to a total return of –22.1% for the S&P 500. The Fund had total assets of approximately $14.0 billion at year-end and a cash position of 6%.

Fourth Quarter Performance Review

While 2002 was a difficult year for equity investors, returns in the fourth quarter were strong and helped recoup some of the losses that occurred during the dismal third quarter. The Fund's return for the quarter was comparable to the S&P 500, but month to month the Fund performed much differently from the Index, as it underperformed the S&P 500 by 5.2 percentage points in October, but outperformed it by 4.6 percentage points in November and December. This volatility around the benchmark should be expected, as the Fund is positioned much differently from the broad market. For example, 30% of the S&P 500 is currently made up of companies with market capitalizations of $100 billion or more. The Stock Fund is not invested in this ''mega-cap'' area, as we have found more compelling valuations in other areas of the market, as well as in companies based outside the U.S. (as of year-end, 12% of the Fund was invested U.S. dollar-denominated foreign stocks).

The largest detractors from performance *relative* to the S&P 500 during the quarter were two of the Fund's investments in the energy and utilities sectors; namely, Amerada Hess (down 18%) and TXU Corp. (down 55%). The Fund was also hurt relative to the S&P 500 due to security selection in the telecommunications and financial sectors, where the Fund's holdings generated positive returns, but underperformed their counterparts in the S&P 500. The Fund's cash position (3% at the beginning of the quarter) was also a modest drag on performance in the up market.

On a positive note, the Fund's relative performance was aided by investments made in the information technology and consumer discretionary sectors. Individual standouts included Corning (up 107%), Hewlett-Packard (up 49%), Storage Technology (up 104%), Xerox (up 63%), Eastman Kodak (up 32%), Gap (up 43%) and News Corp. (up 36%). Market volatility remains high, and one quarter's worst performer can be the next quarter's best. Rather than become unduly distracted by past performance, we concentrate on the future risks and opportunities for each of the Fund's individual investments using a three-to-five year time horizon.

Strategy

Since equity markets are volatile, short-term forecasts have a high error rate. However, as political and economic uncertainty increases and valuations decline, we believe that attractive investments can be found in equity markets. Powerful long-term factors including advances in electronics, communications and pharmaceuticals should create future opportunities. In mid-2000, just 2½ years ago, these sectors enjoyed extraordinary enthusiasm, and as a result, enthusiastic valuations. At that time the technology, media, telecommunications and pharmaceuticals sectors represented 53% of the S&P 500 (compared to 17% in the Stock Fund). Market declines have lowered these sectors' weightings in the S&P 500 to 36% (compared to 26% in the Stock Fund) as of 12/31/02. Today, with valuations much lower, we are investigating companies in these sectors and selectively adding new names, where we believe prices are reasonable when compared to long-term growth prospects.

For further review of the Fund's performance and long-term investment strategy, please visit www.**dodge**and**cox**.com and download the Fund's Annual Report to shareholders, which will be available online in February.

January, 2003

* The S&P 500 is a widely recognized, unmanaged index of common stock prices. The Fund's total returns include the reinvestment of dividend and capital gain distributions, but have not been adjusted for any income taxes payable on these distributions. Index returns include dividends and, unlike Fund returns, do not reflect fees or expenses.

Past performance does not guarantee future results. Investment return and share price will fluctuate with market conditions, and investors may have a gain or loss when shares are sold.

Authorized for distribution to mutual fund investors only when accompanied or preceded by a current Fund prospectus, which includes more complete information including management fees, investment policies, risk considerations and expenses. Please read the prospectus carefully before investing.